

Insurance Department Fraud Division

Insurance Fraud:

- Insurance Fraud is the 2nd most costly financial crime in the United States behind tax evasion
- Quickly becoming a crime of choice for organized criminals due to its low risk and high rewards
- Estimated Annual Loss – More than \$120 Billion Dollars
 - \$40 Billion – Property and Casualty (Source - FBI)
 - \$80 Billion - Health Care Fraud (Source –FBI)
- Insurance Fraud impacts everyone
 - Each family pays an estimated \$1,000 in increased premiums annually due to insurance fraud.
- 41 States have created Insurance Fraud Investigation units to combat Insurance Fraud
 - Many are funded through assessment to the Insurance Industry while others are funded through general taxpayer funds
 - Many have full law enforcement powers

IFD Organization:

- In 1995 the legislature granted authority to Insurance Commissioner to investigate violations of the Insurance Fraud Act, and to employ certified law enforcement investigators. (31A-2-104)
- Funded through assessment to the Insurance Industry
 - Annual Assessment Revenues \$1.9 million
- Authorized to recover investigative costs from those charged with insurance fraud
 - Annual Investigative Cost Revenues average \$90,000
- The Fraud Division consists of
 - Director
 - 10 investigators
 - 3 support staff
 - 3 assistant attorney general prosecutors (via contract)
 - Located at 230 S. 500 E. suite 170

Referrals:

- Most referrals come from the Insurance Industry through Special Investigative Units (SIU's)
- Other sources include: Law Enforcement, the public, and discovery by IFD investigators during other investigations
- The IFD receives around 750 referrals annually

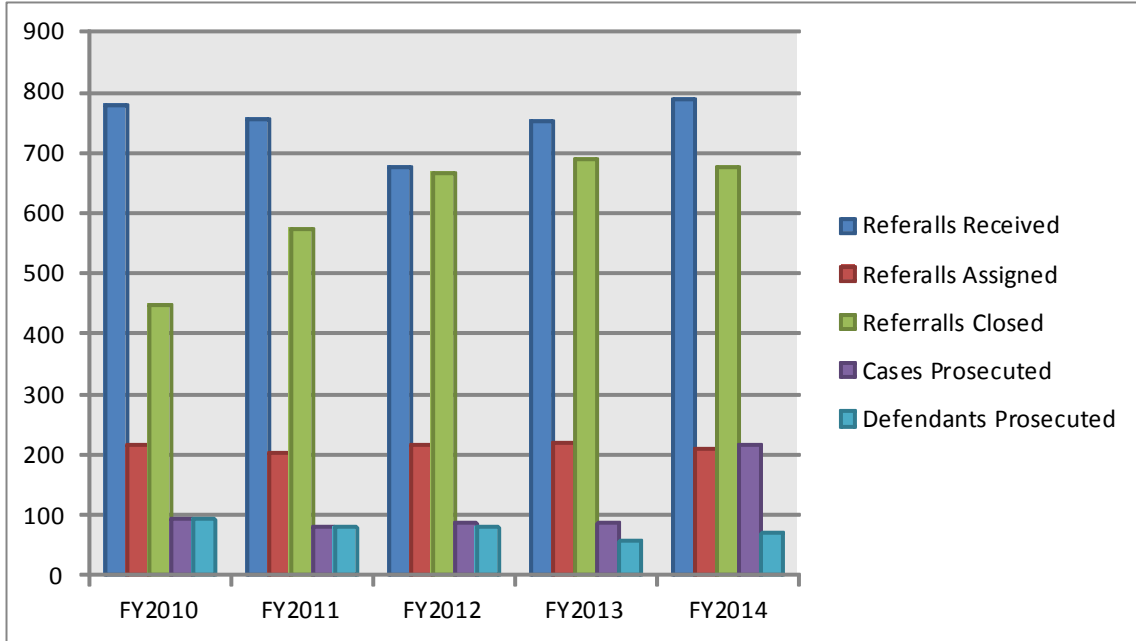
Types of cases investigated:

- Agent Fraud
 - Stealing premiums
 - Insurance agent fails to send premiums to the underwriter and instead keep the money for personal use.
 - Identity Theft
 - Insurance agent uses other persons ID to obtain better premium quotes for those with poor credit ratings. (increased business, qualify for bonuses and commissions)

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- Cross Border Sales
 - Selling insurance products not licensed in Utah (annuities, home warranties, etc.)
- False Insurance Sales
 - Selling false insurance products to consumers (keeping premiums and issuing forged certificates of insurance)
 - Creating false policies to collect undue commissions and bonuses
- Theft by Deception
 - Altering valid cancellation documents to predate the cancellation, resulting in refunds the agent then keeps
- Property and Casualty
 - Past Posting- claiming accident, damage, or loss occurred while insured when no policy was in place at time of incident
 - False vehicle thefts
 - False or inflated theft and burglary claims
 - False property loss claims
 - Adding false items or forging receipts to increase value of items stolen in a legitimate loss
 - Staged accidents
 - Paper accidents – using previously damaged vehicles
 - Intentionally causing real accidents with others at fault
 - Passenger jump ins – passengers not in car at time, claiming injury from the accident
 - False damage claims
 - Staged vandalisms
 - False or inflated damages due to disasters
 - False injury claims
 - Staged slip and fall accidents or items found in food
- Health Care
 - Doctor Shopping
 - Using insurance to pay for doctor visits and medications that are unnecessary or would not have been proscribed had doctor known of prior prescription
 - Billing for services not provided
 - Using equipment not possessed
 - For services or equipment not provided
 - Up coding a provided service to a higher level to increase insurance payments
 - Billing under another providers information to obtain higher payments than otherwise due
 - Performing unnecessary medical procedures
 - Workers Compensation Fraud
 - Working while collecting payments
 - False injuries while at work

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Total Referrals - 787			
Agent Fraud	41	False Property Theft	29
Application Fraud	34	False Auto Theft	38
Healthcare	30	Staged Collisions	20
Exaggerated Injuries	38	Vehicle Arson	1
Doctor Shopping	8	Inflated Loss/Damages	29
Prior Injuries	3	False Damages	14
Slip and Fall	11	Property & Casualty - Other	385
		Other	76